

POSTED
0033001

**BEFORE THE
STATE OF SOUTH CAROLINA
PUBLIC SERVICE COMMISSION**

In the Matter of the Application of)
)
McLeodUSA Telecommunications)
Services, Inc.)
)
for a Certificate of Public Convenience and)
Necessity to Provide Competitive Local)
Exchange Telecommunications Services,)
Facilities-Based Interexchange)
Telecommunications Services and for)
Alternative or Relaxed Regulation)

Docket No. _____

**PRE-FILED TESTIMONY OF DAVID R. CONN
ON BEHALF OF
McLEODUSA TELECOMMUNICATIONS SERVICES, INC.**

Dated: March 27, 2001

S. C. PUBLIC SERVICE COMMISSION
RECEIVED
MAR 30 2001
RECEIVED

I.

INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is David R. Conn. My business address is McLeodUSA Technology Park, 6400 C Street, SW, P.O. Box 3177, Cedar Rapids, Iowa 52406-3177

Q. WHAT IS YOUR POSITION WITH McLEODUSA TELECOMMUNICATIONS SERVICES, INC.?

A. I am the Vice President and Deputy General Counsel of McLeodUSA Telecommunications Services, Inc. ("McLeodUSA" or "Company").

Q. PLEASE DESCRIBE YOUR BUSINESS EXPERIENCE AND BACKGROUND.

A. I have been employed by McLeodUSA and its ultimate corporate parent, McLeodUSA Incorporated, since 1994. In my current position as Vice President and Deputy General Counsel, I am responsible for McLeodUSA's federal regulatory affairs, state and federal legislative affairs, interconnection agreements and policy, and legal elements of product development. Prior to joining McLeodUSA, I was the Lead Attorney for the Iowa Office of Consumer Advocate from 1983 to 1994. As the Lead Attorney, I was responsible for representing the interests of Iowa consumers in proceedings before the Iowa Utilities Board and in court proceedings involving utility regulatory matters. From 1978 to 1983, I was Assistant Commerce Counsel in the Iowa Office of Commerce Counsel where my duties included representing the public interest before the Iowa Commerce Commission. I graduated from the University of Iowa College of Law and the University of Iowa Graduate

1 College in 1978 with a J.D. and a M.A. in Political Science, respectively. I earned a B.A.
2 in Political Science in 1975 from the University of Iowa College of Liberal Arts.

3 **II.**

4 **PURPOSE AND SUMMARY**

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

6 **A.** I submit this testimony on behalf of McLeodUSA to demonstrate that the Company's
7 application for certification to provide resold and facilities-based local exchange and
8 facilities-based interexchange telecommunications service meets the appropriate regulatory
9 criteria and that grant of this Application is in the public interest. I will also explain the
10 services that the Company proposes to offer in South Carolina.

11 **Q. PLEASE SUMMARIZE THE MAIN POINTS OF YOUR TESTIMONY.**

12 **A.** My testimony will address several major issues:

- 13 ● a description of the Company's Application;
- 14 ● a description of the Company's managerial and technical qualifications;
- 15 ● a description of the Company's financial qualifications;
- 16 ● a description of the specific services the Company proposes to offer in South
17 Carolina; and
- 18 ● a demonstration that McLeodUSA's proposed services are consistent with the
19 public interest.

1 **Q. DOES McLEODUSA CURRENTLY HOLD A CERTIFICATE FROM THE**
2 **COMMISSION?**

3 **A.** Yes, the Commission granted McLeodUSA a Certificate of Public Convenience and
4 Necessity to provide resold intrastate interexchange telecommunications services in Order
5 No. 97-944 issued in Docket No. 97-207-C (Nov. 4, 10997).

6 **Q. HAS McLEODUSA BEEN AUTHORIZED TO PROVIDE LOCAL**
7 **EXCHANGE SERVICES IN ANY OTHER JURISDICTIONS?**

8 **A.** Yes. McLeodUSA is authorized to provide local exchange telecommunications
9 services in 27 states, as listed in its Application. The Company currently has pending
10 applications for such authority in California, Connecticut, Georgia, Kentucky,
11 Maryland, Massachusetts, Mississippi, New Hampshire, New Jersey, New York,
12 North Carolina, Pennsylvania and Virginia. The Company is also authorized to
13 provide intrastate interexchange services in all states except Alaska and Hawaii. In
14 addition, the Company is authorized to provide interstate and international
15 telecommunications services as a nondominant carrier pursuant to authority of the
16 Federal Communications Commission. McLeodUSA has not been denied requested
17 certification in any jurisdiction, nor has it had a permit, license, or certificate revoked
18 by any authority.

1 III.

2 LEGAL QUALIFICATIONS

3 **Q. PLEASE DESCRIBE THE CORPORATE STRUCTURE OF McLEODUSA.**

4 **A.** McLeodUSA is a corporation organized under the laws of the State of Iowa. McLeodUSA
5 is a wholly owned subsidiary of McLeodUSA Holdings, Inc. ("MHI"), a Delaware
6 corporation. MHI, in turn, is a wholly owned subsidiary of McLeodUSA Incorporated, a
7 publicly traded Delaware corporation.

8 **Q. IS McLEODUSA LEGALLY AUTHORIZED TO DO BUSINESS IN SOUTH**
9 **CAROLINA?**

10 **A.** Yes. A copy of the Company's authorization to transact business in South Carolina is
11 attached as Exhibit B to McLeodUSA's Application.

12 IV.

13 MANAGERIAL AND TECHNICAL QUALIFICATIONS

14 **Q. PLEASE OUTLINE McLEODUSA'S MANAGERIAL AND TECHNICAL**
15 **QUALIFICATIONS.**

16 **A.** McLeodUSA is an experienced provider of competitive local exchange and interexchange
17 telecommunications services. Specifically, the Company currently offers integrated
18 telecommunications including local services in its 26-state footprint, primarily in the
19 Midwest, Rocky Mountain and Pacific Northwest states. Long distance and advanced data
20 services are available in all states except Alaska and Hawaii.

21 The Company was formed by Clark McLeod, one of the most respected and
22 influential leaders in the telecommunications industry, and the founder of the Company's

1 ultimate corporate parent, McLeodUSA Incorporated. Mr. McLeod's previous business
 2 venture, Teleconnect, was founded in 1980. As chairman and chief executive officer of
 3 Teleconnect and President of Telecom*USA, the successor of Teleconnect, Mr. McLeod
 4 was responsible for the transformation of this venture, by 1990, into the fourth largest U.S.
 5 long distance carrier. In August 1990, Telecom*USA was purchased by MCI for \$1.25
 6 billion.

7 Mr. McLeod has assembled a management team for McLeodUSA that possesses
 8 extensive managerial, financial, and technical experience in the telecommunications
 9 industry. Exhibit C of the Application sets forth the background and experience of
 10 McLeodUSA's principal officers.

11 V.

12 FINANCIAL QUALIFICATIONS

13 **Q. PLEASE DESCRIBE McLEODUSA'S FINANCIAL QUALIFICATIONS.**

14 **A.** McLeodUSA is financially qualified to render the proposed services. Specifically, the
 15 Company has access to ample capital through the strength of its ultimate corporate parent,
 16 McLeodUSA Incorporated. Under McLeodUSA Incorporated's corporate structure,
 17 financing activities are conducted by the ultimate parent entity, McLeodUSA Incorporated.
 18 Funds are dispersed to the operating subsidiaries of McLeodUSA Incorporated as required
 19 by the subsidiary's operations.

20 McLeodUSA Incorporated's annual revenues have grown from in excess of \$23
 21 million for 1994 to more than \$908 million for 1999. For the quarter ended September 30,
 22 2000, total revenues were a record \$366.6 million, compared to \$241.1 million for the same

1 period one year ago, an increase of 52 percent. The growth of McLeodUSA Incorporated
2 has been funded, in part, through net proceeds of approximately \$388 million from
3 McLeodUSA Incorporated's 1996 initial and secondary public offerings of common stock,
4 and private sales of equity securities yielding proceeds of \$41 million.

5 In September 1999, McLeodUSA Incorporated welcomed Forstmann Little & Co., a
6 New York-based investment firm, as a long-term strategic partner. Forstmann Little
7 provided a \$1 billion capital infusion, purchasing a 12 percent stake in McLeodUSA
8 Incorporated. In May 2000, McLeodUSA Incorporated secured a bank credit facility of
9 \$1.3 billion, funding its business plan at favorable rates.

10 Attached as Exhibit D of McLeodUSA's Application are copies of McLeodUSA
11 Incorporated's 1999 Form 10-K and 2000 Third Quarter Form 10-Q as filed with the
12 Securities and Exchange Commission ("SEC"). Exhibit D demonstrates that McLeodUSA
13 Incorporated possesses the financing and working capital necessary to fulfill any
14 obligations that McLeodUSA may undertake with respect to the operation and maintenance
15 of the services proposed in its Application.

16 VI.

17 MCLEODUSA'S PROPOSED SERVICES

18 **Q. PLEASE DESCRIBE THE TYPE OF SERVICE THAT MCLEODUSA WILL**
19 **OFFER IN SOUTH CAROLINA.**

20 **A.** In other states, the Company offers a full range of resold and facilities-based local
21 exchange services, and plans eventually to offer these services in South Carolina. Initial
22 services offerings, however, will likely be limited to only a subset of these services. These

services may include, but will not be limited to, the following: (1) local exchange access services to single-line and multi-line customers, including basic residential and business lines, direct inward/outward PBX trunk service, PRI-type services, Centrex services, and ISDN; (2) local exchange services to customers of the Company's end user access line services; (3) data services, including DSL, carried through the Company's ATM switches; and (4) switched, dedicated, and special carrier access services to other common carriers. These services will allow customers to originate and terminate local calls to other customers served by McLeodUSA as well as customers served by all other authorized local exchange carriers.

The Company will also provide switched access services and various intrastate private line and dedicated access services. In addition, the Company will provide customers access to emergency services, including 911 and enhanced 911 services (where available). When providing local service via resale, McLeodUSA may provide operator and directory assistance through the incumbent local exchange carrier ("ILEC"). When customers are migrated to the Company's network facilities, McLeodUSA may provide directory assistance and operator services via its own personnel and equipment.

Q. WHAT FACILITIES WILL McLEODUSA USE TO PROVIDE ITS PROPOSED LOCAL EXCHANGE AND INTEREXCHANGE SERVICES?

A. McLeodUSA currently has deployed both Lucent and Nortel DMS switches. The Company has not made a final decision as to switch deployment in South Carolina. McLeodUSA plans to utilize a backbone state-of-the-art fiber optic communications network that will carry traffic from various exchanges in South Carolina to its switches and

1 points of presence. The Company will provide 24-hour network monitoring and customer
2 service centers.

3 **Q. WHAT GEOGRAPHIC AREAS WILL McLEODUSA SERVE?**

4 **A.** McLeodUSA seeks authority to provide facilities-based and resold local exchange and
5 facilities-based interexchange services throughout the State of South Carolina, and initially
6 plans to provide service in the existing service areas of BellSouth.

7 **Q. WHAT CUSTOMER CLASS WILL McLEODUSA SERVE INITIALLY?**

8 **A.** The Company will serve both business and residential customers.

9 **Q. PLEASE DESCRIBE McLEODUSA'S RATE STRUCTURE.**

10 **A.** McLeodUSA's proposed local exchange rates are set forth in the Tariff submitted as
11 Exhibit G to its Application. The Company currently has on file with the Commission a
12 resold interexchange tariff. At such time as the Company begins to provide facilities-based
13 interexchange services, it will revise that tariff as necessary.

14 **Q. WILL McLEODUSA'S TARIFF CONTAIN ALL OF ITS RATES AND CHARGES**
15 **AS REQUIRED FOR INTRASTATE TELEPHONE SERVICES?**

16 **A.** Yes. All rate elements will be set forth in a readily ascertainable form. The Company's
17 tariffs will list specific rate levels for each service and service element and will otherwise
18 comply with the Commission's Rules.

VII.

PUBLIC INTEREST CONSIDERATIONS

Q. PLEASE DESCRIBE THE PUBLIC INTEREST BENEFITS ASSOCIATED WITH McLEODUSA'S PROPOSED OFFERING OF TELECOMMUNICATIONS SERVICES IN SOUTH CAROLINA.

A. The entry of McLeodUSA into the South Carolina telecommunications market will serve the public interest by creating greater competition in the telecommunications marketplace and by permitting customers to achieve increased efficiencies and cost savings. The Company's proposed services will meet the needs of business and residential users in the State of South Carolina for competitively priced, superior quality telecommunications services. Moreover, McLeodUSA's entry into the local exchange market will positively impact the availability of affordable local exchange and interexchange services. Accordingly, Commission approval of its Application will foster competition in the telecommunications market and generate significant benefits to South Carolina telecommunications users, including: low-priced, high-quality services; innovative services and increased consumer choice; efficient use of existing telecommunications resources; and increased diversification and reliability of the supply of telecommunications services.

VIII.

CONCLUSION

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

VERIFICATION

STATE OF IOWA

)

ss:

)

COUNTY OF LINN

)

I, David R. Conn, being duly sworn, declare that I am the Vice President and Deputy General Counsel of McLeodUSA Telecommunications Services, Inc. I hereby swear and affirm that my answers contained in the attached testimony to the questions asked are true and correct to the best of my knowledge, information, and belief.

By: David R. Conn
 Title: Vice President and Deputy General Counsel
 McLeodUSA Telecommunications Services, Inc.

Subscribed and sworn to me, this 27th day of March, 2001.

Robin R. McVeigh
 Notary Public

My Commission expires on



EXHIBIT G

Proposed Tariff

TITLE SHEET**PROPOSED TARIFF****SOUTH CAROLINA INTRASTATE TELECOMMUNICATIONS**

This tariff sets forth the service offerings, rates, terms and conditions applicable to the furnishing of intrastate local communications services by McLeodUSA Telecommunications Services, Inc. ("Carrier" or "McLeodUSA"), to business and residential customers in the State of South Carolina. This tariff is on file with the South Carolina Public Service Commission ("Commission") and copies may be inspected, during normal business hours, at McLeodUSA's principal place of business, 6400 C Street SW, Cedar Rapids, Iowa 52406-3177.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

CHECK SHEET

The sheets of this Tariff are effective as of the date shown at the bottom of the respective sheets. Original and revised sheets as named below comprise all changes from the original Tariff that are currently in effect as of the date at the bottom of this sheet.

<u>Sheet</u>	<u>Revision</u>	<u>Sheet</u>	<u>Revision</u>	<u>Sheet</u>	<u>Revision</u>
1	Original	26	Original	51	Original
2	Original	27	Original	52	Original
3	Original	28	Original	53	Original
4	Original	29	Original	54	Original
5	Original	30	Original	55	Original
6	Original	31	Original	56	Original
7	Original	32	Original	57	Original
8	Original	33	Original	58	Original
9	Original	34	Original	59	Original
10	Original	35	Original	60	Original
11	Original	36	Original	61	Original
12	Original	37	Original	62	Original
13	Original	38	Original	63	Original
14	Original	39	Original	64	Original
15	Original	40	Original	65	Original
16	Original	41	Original	66	Original
17	Original	42	Original	67	Original
18	Original	43	Original	68	Original
19	Original	44	Original		
20	Original	45	Original		
21	Original	46	Original		
22	Original	47	Original		
23	Original	48	Original		
24	Original	49	Original		
25	Original	50	Original		

* Indicates new or revised sheet submitted with this filing.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

TARIFF FORMAT

Sheet Numbering. Sheet numbers appear in the upper right hand corner of the sheets. Sheets are numbered sequentially. From time to time new sheets may be added to the Tariff. When a new sheet is added between existing sheets, a decimal is added to the preceding sheet number. For example, a new sheet added between sheets 5 and 6 would be numbered 5.1.

Sheet Revision Numbers. Revision numbers also appear in the upper right corner of sheets. These numbers are used to determine the most current sheet version on file with the Commission. For example, the 4th Revised Sheet No. 24 cancels the 3rd Revised Sheet No. 24.

Paragraph Numbering Sequence. There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level, as shown by the following example:

2
2.1
2.1.1
2.1.1.A
2.1.1.A.1
2.1.1.A.1.(a)
2.1.1.A.1.(a).I
2.1.1.A.1.(a).I.(i)
2.1.1.A.1.(a).I.(i).(1)

Check Sheets. When a Tariff filing is made with the Commission, an updated check sheet accompanies the Tariff filing. The check sheet lists the sheets contained in the Tariff, with a cross-reference to the current revision number. When new sheets are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). The Tariff user should refer to the latest check sheet to find out if a particular sheet is the most current one on file with the Commission.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

TARIFF FORMAT (Cont'd.)

Explanation of Symbols. When changes are made in any Tariff sheet, a revised sheet will be issued replacing the Tariff sheet affected. Changes will be identified on the revised sheet through the use of the following symbols:

- (D) - Delete or discontinued.
- (I) - Change resulting in an increase in rate.
- (M) - Moved from another Tariff location.
- (N) - New.
- (R) - Change resulting in a reduction in rate.
- (T) - Change in text only.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

TABLE OF CONTENTS

Title Sheet	1
Check Sheet	2
Tariff Format	3
Table of Contents	5
0.0 Application and Scope of Tariff	7
0.1 Application	7
0.2 Scope	7
0.3 Interconnection with Other Carriers	7
1.0 Explanation of Terms and Abbreviations	8
1.1 Definitions of Terms	8
1.2 Explanation of Acronyms and Trade Names	14
2.0 General Rules and Regulations	15
2.1 Undertaking of Carrier	15
2.2 Use	16
2.3 Liability	17
2.4 Equipment	19
2.5 Contract for Service	20
2.6 Application for Service	21
2.7 Deposits	22
2.8 Billing	26
2.9 Payment for Service	27
2.10 Disputes and Complaints	28
2.11 Service Refusal, Disconnection and Suspension	29
2.12 Cancellations and Deferments of Service	32
2.13 Information Service Access Blocking	33
2.14 Marketing and Promotions	34

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

TABLE OF CONTENTS (Cont'd.)

3.0	Description of Services Offered	36
3.1	Local Service	36
3.2	Directory Listing Service	42
3.3	Intercept Services/Referral Recording	43
3.4	Directory Assistance	44
3.5	Operator Services	45
3.6	Primary Rate ISDN	46
3.7	South Carolina Relay Service	47
3.8	Promotional Offerings	49
3.9	Individual Case Basis (ICB)	49
4.0	Rates and Charges	50
4.1	Nonrecurring Charges	50
4.2	Usage Rates	51
4.3	Rate Tables	54
4.4	Telecommunications Relay Service	68
4.5	Promotional Offerings	68

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

0.0 Application and Scope of Tariff

0.1 Application

This tariff contains the rates and regulations applicable to regulated local services provided by Carrier between and among points within the State of South Carolina.

0.2 Scope

Carrier's services are provided subject to the availability of facilities and subject to the terms and conditions of this tariff. All services within the jurisdiction of the Commission provided by Carrier between and among points in the State of South Carolina are governed by this tariff. Carrier will offer service to all local calling areas as defined in BellSouth's General Subscriber Services Tariff on a nondiscriminatory basis where facilities exist.

0.3 Interconnection with Other Carriers

Service provided by Carrier may be connected with services or facilities of other carriers or may be provided over facilities provided by carriers other than Carrier. However, service provided by Carrier is not a part of a joint undertaking with any other carrier providing telecommunications channels, facilities, or services.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

1.0 Explanation of Terms and Abbreviations

1.1 Definitions of Terms

Advanced In-Only Trunk with DID and Hunting

In-only trunk with Direct-Inward-Dialing (DID) feature. Requires a DID trunk circuit termination.

Advanced Out-Only Trunk with Answer Supervision

Out-only trunk with supervision feature. This feature passes answer back signaling from the central office switch to the customer's PBX when a PBX call has been either completed or answered.

Advanced Two-Way Trunk with DID, Hunting and Answer Supervision

Two-way trunk with DID and answer supervision features. Requires a DID trunk circuit termination.

Authorization Code

A numerical code, one or more of which is available to Customer to enable it to access Carrier's network, and which are used by Carrier to prevent unauthorized access to its facilities and to identify Customer for billing purposes.

Basic In-Only

One-way trunk which allows traffic from the central office switch to be transmitted to the PBX.

Basic Out-Only

One-way trunk which only allows traffic originating in the PBX to be transmitted to the central switch.

Basic Two-Way

Trunk which allows traffic originating in the PBX to be transmitted to the central office switch.

Calling Card

A billing arrangement by which the charge for a call may be charged to an authorized calling card account.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

1.0 Explanation of Terms and Abbreviations (Cont'd.)

1.1 Definitions of Terms (Cont'd.)

Calls

Telephone messages completed by Customers.

Carrier

McLeodUSA Telecommunications Services, Inc.

Central Office

A unit of BellSouth's system that provides service to the general public and has the necessary equipment and operating arrangements for terminating and interconnecting Customer lines and trunks or trunks only. More than one (1) central office may occupy a building.

Charges

Monthly recurring and nonrecurring amounts billed to Customers for services.

Commission

The South Carolina Public Service Commission.

Customer

Any person, firm, association, corporation, agency of the federal, state, or local government, or legal entity responsible by law for payment of rates and charges and for compliance with the regulations of McLeodUSA.

Customer Contract

A written agreement between the Customer and McLeodUSA containing or referring to the rates and regulations applicable to the service being provided.

Customer Premises Equipment

All terminal equipment normally used on the Customer's premises. This equipment may be Customer-owned, or may be owned by McLeodUSA or another supplier and leased to the Customer.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

1.0 Explanation of Terms and Abbreviations (Cont'd.)

1.1 Definitions of Terms (Cont'd.)

Delinquent or Delinquency

An account for which an uncontested bill or payment agreement for regulated services has not been paid in full on or before the last day for timely payment. This term may also apply to a contested bill for which the Commission finds the Customer's complaint to be without merit.

Direct Inward Dialing ("DID")

DID is a special trunking arrangement which permits incoming calls from the exchange network to reach a specific PBX station directly without an attendant's assistance.

Disconnect or Disconnection

The disabling of circuitry to prevent outgoing and/or incoming calls.

Due Date

The last day for payment of a bill without unpaid amounts being considered delinquent or subject to additional collection efforts. The due date may be designated by "due by," "pay by," "if paid by," or other such language on the Customer's bill.

Exchange

A unit established for the administration of local communication services.

Exchange Service

A local communications service furnished by means of local exchange plant and facilities.

Extended Area Service or EAS

Telephone service, offered at a flat local rate, between customers located within an exchange area and all customers in an additional exchange area or areas.

Individual Case Basis

A rate, charge, or condition of the tariff as determined by individual circumstances.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

1.0 Explanation of Terms and Abbreviations (Cont'd.)

1.1 Definitions of Terms (Cont'd.)

Inside Station Wiring or Inside Wiring

Wiring on the premises beyond the demarcation point.

Interexchange Service

The provision of intrastate telecommunications services and facilities between local exchanges, excluding EAS.

InterLATA Service

The completion of calls between Local Access and Transport Areas.

IntraLATA Service

The completion of calls between points within the boundaries of a Local Access and Transport Area.

Local Access and Transport Area or LATA

A geographic area within which Bell Operating Companies are permitted to offer interexchange service. These areas were established as a result of the break-up of the former Bell System.

Local Exchange Utility or Local Utility

A telephone utility that provides local service under a tariff filed with the Commission. The utility may also provide other services and facilities.

Local Service

Telephone service furnished between points located within an area where there is no toll charge.

MCA

Metropolitan Calling Area.

McLeodUSA

McLeodUSA Telecommunications Services, Inc.

1.0 Explanation of Terms and Abbreviations (Cont'd.)

1.1 Definitions of Terms (Cont'd.)

Message

A telephone call made by a Customer.

Month

For billing purposes, a month is considered to have thirty (30) days.

Number of Digits Sent

The number of digits of the telephone number sent from the Central Office to the telephone system for interpretation and routing to the end user. Typically a function of DID.

Operator

An automated or live operator.

Point of Presence (or POP)

The location in McLeodUSA's system where local access facilities connect to an interexchange carrier's network.

Public Safety Answering Point

A communications facility operated on a twenty-four (24) hour basis and serving participating jurisdictions that initially receives 911 calls and either directly dispatches emergency response services or relays the calls to the appropriate public safety agency.

Rates

The usage amounts billed to customers for regulated services and/or equipment.

Re-routing of numbers

Provides the option of re-directing telephone numbers from one T1 facility to another or from other local lines to the T1 facility. Typically utilized with DID trunking service.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

1.0 Explanation of Terms and Abbreviations (Cont'd.)

1.1 Definitions of Terms (Cont'd.)

Service

Any or all service(s) provided by McLeodUSA pursuant to this tariff.

Signaling

Represents the type of signaling format utilized to maintain a T1 level digital transmission from the Central Office to the customer premise. Signaling options include: AMI, ESF, SF, B8ZF; other options may be available on an individual case basis.

Suspend or Suspension

To disconnect or impair a service temporarily in order to disable either outgoing or incoming calls or both.

T1- Advanced

Includes In-Only Trunk with DID and Hunting, Out-Only Trunk with Answer Supervision, or Two-Way Trunk with DID, Hunting, and Answer Supervision.

T1 Basic or Combo

Includes In-Only Trunk, Out-Only Trunk, or Two-Way Trunk. Combo is a combination of Basic and Advanced.

Timely Payment

A payment of the Customer's account made on or before the due date shown on a current bill for rates and charges or by an agreement between the Customer and Carrier for a series of partial payments to settle a delinquent account.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

1.0 Explanation of Terms and Abbreviations (Cont'd.)

1.2 Explanation of Acronyms and Trade Names

BOC = Bell Operating Company

DA = Directory Assistance

EAS = Extended Area Service

FCC = Federal Communications Commission

LATA = Local Access and Transport Area

LNP = Local Number Portability

NPA = Numbering Plan Area, more commonly known as Area Code

NRC = Non-Recurring Charge

SNI = Standard Network Interface

Sprint = Sprint Communications Company, L.P.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

2.0 General Rules and Regulations

2.1 Undertaking of Carrier

2.1.1 General

Pursuant to this Tariff, Carrier undertakes to provide within the State of South Carolina local exchange services described in Section 3.0.

2.1.2 Limitations

- A. Service is offered subject to the availability of the necessary facilities and equipment and subject to the provisions of this tariff in compliance with limitations set forth in the Commission's rules.
- B. Carrier reserves the right to discontinue service when the Customer is using the service in violation of the provisions of this tariff, signed contract, or the law, with notice as required by the rules of the Commission.
- C. Carrier does not undertake to transmit messages or information, but offers the use of its facilities, when available, for that purpose.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

2.0 General Rules and Regulations (Cont'd.)

2.2 Use

2.2.1 Lawful Purpose

Services provided under this tariff may be used for any lawful purpose for which the service is technically suited consistent with the transmission and switching parameters of the telecommunications facilities utilized in the provision of the service.

2.2.2 Use of Service for Unlawful and/or Fraudulent Purposes

Carrier's services are provided subject to the condition that they will not be used for any unlawful and/or fraudulent purpose. Services will not be furnished if any law enforcement agency, acting within its jurisdiction, advises Carrier that such services are being used or are likely to be used in violation of the law and/or in a fraudulent manner. If Carrier receives other evidence giving reasonable cause to believe that such services are being used or are likely to be used for unlawful and/or fraudulent purposes, it may either discontinue or deny the services and/or refer the matter to the appropriate law enforcement agency in accordance with law and/or Commission rules.

2.2.3 Unauthorized Use

Any individual who uses or receives Carrier's services other than under the provisions of an accepted application for service and a current Customer relationship shall be liable for the appropriate rates and charges for the service received and for Carrier's costs of investigation and collection.

2.2.4 [Reserved for future use.]

2.2.5 Use of Service Mark

No Customer shall use any service mark or trademark of Carrier or refer to Carrier in connection with any product, equipment promotion, or publication of the Customer without the prior written consent of Carrier.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

2.0 General Rules and Regulations (Cont'd.)**2.3 Liability**

Except for granting credit allowances for interruptions of service as provided in the last paragraph of this section, Carrier shall not be liable for any claim or loss; expense or damage; for any failure of performance due to failure or malfunction of Customer-supplied equipment; acts of God; storms; fires; floods or other catastrophes; power failure; natural emergencies; insurrections; riots or wars; or any law, order, regulation, or other action of any governmental authority or agency thereof.

Carrier shall not be liable for, and shall be fully indemnified and held harmless by, Customers against any claim or loss, expense or damage, for defamation, libel, slander, invasion, infringement of copyright or patent; unauthorized use of any trademark, trade name, service mark, or proprietary or creative right, or any other injury to any person, property, or entity arising out of the material, data, or information transmitted.

No agent or employee of any other carrier shall be deemed to be an agent or employee of Carrier.

Carrier's liability due to any failure of the transmission shall not exceed an amount equal to the charges provided for by the applicable tariff (for regulated services) and applicable Tariff, catalogue, and/or contract (for all other services) for the call.

Carrier shall not be liable for damages arising out of the use of Carrier's services for the transmission of anything other than voice grade service.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

2.0 General Rules and Regulations (Cont'd.)**2.3 Liability (Cont'd.)**

Carrier will provide a customer's correct name and telephone number to a calling party either upon request to or interception by Carrier in the event there is an error or omission in the customer's directory listing. Carrier's liability for any errors or omissions in any directory listings is limited to the charges made for the listing itself. Carrier shall not be liable for any incidental, indirect, special, or consequential damages of any kind, including loss of use, loss of business, or loss of profit, arising from errors or omissions in directory listings.

Notwithstanding anything to the contrary in this section, if Customer's service is interrupted and remains out of service for more than twenty-four (24) hours after the earlier of being reported to Carrier or being found by Carrier to be out of order, and if the interruption is not the result of a negligent or willful act by the Customer, a malfunction of Customer-owned equipment, Carrier's inability to gain access to the Customer's premises, or causes beyond Carrier's control as described in the first paragraph of this section, Carrier will make appropriate adjustments upon request. Such adjustments, in the form of direct payments or bill credits, will be the proportionate part of the monthly charge for all services and facilities rendered inoperative during the interruption, beginning with the hour of the report to Carrier, or discovery by Carrier, of the interruption. A service interruption may include, among other events, lawful disconnections pursuant to Section 2.11 of this tariff and when a customer's service interrupted during a move to a new Customer premise.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

2.0 General Rules and Regulations (Cont'd.)

2.4 Equipment

2.4.1 Inspection, Testing, and Adjustment

Carrier may, upon reasonable notice, make such tests and inspections as may be necessary to determine whether the requirements of this tariff are being complied with in the installation, operation, or maintenance of the Customer's equipment. Carrier may interrupt the service at any time, without penalty to itself, unless interruption exceeds twenty-four (24) hours.

2.4.2 Interference and Hazard

The operating characteristics of Customer premises equipment or communications systems connected to Carrier's services must not interfere with, or impair, any of the services offered by Carrier. Additionally, connected Customer premises equipment must not endanger the safety of Carrier employees or the public, damage or interfere with the proper functioning of Carrier's equipment, or otherwise injure the public in its use of Carrier's services.

2.4.3 Maintenance and Repair

A. Customer Liability

The Customer shall be responsible for damages to Carrier's facilities used in the provision of regulated services caused by the negligence or willful act of the Customer or those using Carrier's service through the Customer. The Customer may not physically modify or intrude upon, rearrange, disconnect, remove, or attempt to repair any of Carrier's facilities except upon written consent of Carrier.

B. Leased or Owned Facilities

The Customer's obligation to Carrier is the same whether the facilities involved are Carrier's facilities or are facilities leased by Carrier from another party. If Carrier incurs expenses due to the Customer's actions that result in damage or impairment of Carrier's owned or leased facilities, Carrier will pass on to the Customer any and all expenses to repair Carrier's facilities or that the owner imposes on Carrier for leased facilities.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

2.0 General Rules and Regulations (Cont'd.)**2.5 Contract for Service**

Service is installed upon contractual agreement between a Customer and Carrier. The contractual agreement specifies the terms and conditions of service not covered by this tariff. The contract does not alter the obligations of Carrier to Customers as described in this tariff. The term of the services shall commence and will remain in effect from the service activation date specified in the contract for the term of the contract. Should Carrier continue to provide service after the initial term without further agreement, the service shall continue under the terms of the then applicable tariff on a month-to-month basis. A contract may, however, provide for the renewal of the contract for a period similar to its existing term, if the Customer does not advise Carrier that the Customer desires to terminate the contract by a reasonable time prior to its expiration date.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

2.0 General Rules and Regulations (Cont'd.)

2.6 Application for Service

2.6.1 Information Required

When applying for service, each prospective Customer will be required to furnish Carrier with the following information:

- A. The name of the party who will be responsible for payment for the service provided.
- B. The address or addresses or exact location of the premises where service is to be provided and billed.
- C. Any information required to make a proper determination of appropriate creditworthiness.

2.6.2 Initiation of Service

Service shall be deemed to be initiated upon the service activation date specified in the Customer contract, or in the records of McLeodUSA.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

2.0 General Rules and Regulations (Cont'd.)2.7 Deposits2.7.1 Deposit Requirements

In accordance with the provisions established in R.103-621-(B), Carrier shall inform each prospective Customer that it may require a deposit to be held as a guarantee for the payment of charges if any of the following conditions established in R.103-621-(A) exist:

1. The Customer's past payment record to a telecommunications utility shows delinquent payment practice, i.e., Customer has had two consecutive 30-day arrearages, or more than two non-consecutive 30-day arrearages in the past 24 months, or customer has been sent four or more late payment notices in the past 9 months, or
2. A new Customer cannot furnish either a letter of good credit from a reliable source or an acceptable co-signer or guarantor on the same system within the State of South Carolina to guarantee payment, or
3. A Customer has no deposit and presently is delinquent in payments (i.e., has had two consecutive 30-day arrears, or more than two non-consecutive 30-day arrears, in the past 24 months), or
4. A Customer has had his service terminated by any telecommunications utility for non-payment or fraudulent use.

In its calculation of a Customer's creditworthiness, McLeodUSA will use trading banking references, credit reports, and any other information pertinent to a Customer's credit. Any deposit required shall be confirmed in writing to the Customer not later than the time of the next billing. Such confirmation shall, in separate columns, itemize deposits for abnormal toll usage and regulated services and identify deposits for other services, and shall state that no deposit other than for toll and regulated services is required to obtain basic local service.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

2.0 General Rules and Regulations (Cont'd.)

2.7 Deposits

2.7.2 Amount of Deposit

In accordance with R.103-621.2, the amount of deposit for a new customer, shall not exceed an amount equal to an estimated two (2) months (60 days) total bill (including toll and taxes). For an existing customer, a maximum deposit may be required up to an amount equal to the total actual bills of the highest two (2) consecutive months within the preceding six (6) months. All deposits may be subject to review based on the actual experience of the Customer. The amount of the deposit may be adjusted upward or downward to reflect the actual billing experience and the payment habits of the Customer.

2.7.3 New or Additional Deposit

A new or additional deposit may be required to cover the amount provided in Section 2.7.2 above when a deposit has been refunded or is found to be inadequate by virtue of abnormal toll usage or nonpayment. Written notice shall be mailed advising the Customer of any new or additional deposit requirement, and the Customer shall have twelve (12) calendar days from the date of mailing to comply. The new or additional deposit is payable at the address specified in Section 2.7.4.

2.7.3.A Abnormal Toll Usage

For customers with at least six (6) consecutive months of service, "abnormal toll usage" is defined as at least a twenty-five percent (25%) increase in monthly usage charges amounting to at least twenty dollars (\$20). The Customer's average monthly bills for not less than the three (3) prior months shall be used in determining the increase. For customers with less than six (6) consecutive months of service, "abnormal toll usage" is defined to exist when one (1) month's service exceeds the deposit attributable to the service by twenty-five percent (25%) amounting to at least twenty dollars (\$20).

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

2.0 General Rules and Regulations (Cont'd.)**2.7 Deposits (Contd.)****2.7.4 Handling of Deposits**

Deposits shall be sent or delivered to: McLeodUSA Telecommunications Services, Inc., P.O. Box 3177, 6400 C Street, SW, Cedar Rapids, Iowa 52406. McLeodUSA will maintain records that show the name and address of each depositor, the amount and date of the deposit, and each transaction concerning the deposit. Unclaimed deposits, together with accrued interest, shall be credited to an appropriate account and shall be disposed of in accordance with law.

2.7.5 Receipts

In accordance with R. 103-621.1, a receipt of deposit will be furnished to each Customer from whom a deposit is received. Upon request, duplicate receipts will be provided to Customers who have lost their receipts if the deposits are substantiated by McLeodUSA's records.

2.7.6 Customer Obligations

The existence of a deposit in no way relieves the Customer of the obligation to comply with McLeodUSA's regulations for the prompt payment of bills.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

2.0 General Rules and Regulations (Cont'd.)**2.7 Deposits (Contd.)****2.7.7 Refund**

Deposits shall be refunded completely with interest after two years unless the Customer has had two consecutive 30-day arrearages or more than two non-consecutive 30-day arrearages in the past 24 months, or has had service denied or interrupted for non-payment of bills, or has been sent more than two late payment notices in the past 9 months, or has a returned check in the past 6 months.

A record of each unclaimed deposit must be maintained for at least two years, during which time the telephone utility shall make a reasonable effort to return the deposit. Unclaimed deposits, together with accrued interest, shall be turned over to the S. C. Tax Commission as prescribed by law.

2.7.8 Interest

In accordance with R. 103-621.3, Carrier will pay simple interest on deposits at the rate as prescribed by the Commission. Interest shall accrue annually and payment of such interest shall be made to the Customer at least every two (2) years and at the time the deposit is returned. The deposit shall cease to draw interest on the date it is returned, the date service is terminated, or on the date notice is sent to the customer's last known address that the deposit is no longer required.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

2.0 General Rules and Regulations (Cont'd.)**2.8 Billing****2.8.1 Monthly Billing**

Bills to Customers will be issued monthly unless McLeodUSA is authorized by the Commission to bill at other than monthly intervals because of unusual circumstances. Local service charges, including installation charges, are billed in advance. Toll charges are billed in arrears. If a Customer elects and the Commission permits, McLeodUSA may issue a billing statement to a Customer in an electronic format only.

2.8.2 Bill Contents

In accordance with the provisions contained in R. 103-622.1, the bill form or a bill insert will provide the following information: the dates at the beginning and end of the billing period; the last date for timely payment, which shall not be less than twenty (20) days after the bill is rendered; the amount of the net charge, stated by category, for local service, ancillary services and equipment; toll service; information service; sales tax and excise tax; and of any late payment charge, together with the gross amount of the bill, with separate entries for total amounts current or in arrears. Carrier will also comply with reasonable requests for bill detail.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

2.0 General Rules and Regulations (Cont'd.)

2.9 Payment for Service

2.9.1 Late Penalty Charge

In accordance with R. 103-622.2, Carrier may impose a one time late payment charge not to exceed 1.5% on any bill not paid within thirty (30) days of receipt of the bill. Billings for 900 and 900-type charges or non-regulated items are excluded from the balance on which a late fee may be imposed. Customers shall be responsible for all costs incurred in the collection of unpaid charges or in any other action to enforce payments and/or obligations arising under this tariff. Each account will be granted one complete forgiveness of a late payment charge each calendar year. On one monthly bill in each period of eligibility, the net amount of such bill will be accepted as full payment for the month after expiration of the net payment period. The Customer will be notified by mailed written notice that the eligibility has been used. Such forgiveness of late payment charges will have no effect on the credit rating of the Customer.

2.9.2 Partial Payment

If a Customer makes a partial payment in a timely manner and does not designate the service for which payment is made, the payment shall first be applied to the undisputed balance for local service, with the remainder applied on a pro rata basis to regulated utility services and toll service. Any remainder will then be applied to deregulated and unregulated services other than toll. Any late payment penalty charge will be applied only to the outstanding balance for utility services, except interstate toll and related taxes.

2.9.3 Collection

No collection efforts other than the rendering of the bill shall be undertaken until the delinquency date.

2.9.4 Taxes and Fees

Any governmental assessments, fees, licenses, or other similar taxes or fees imposed upon Carrier may be charged to Customers receiving Carrier's service within the territorial limits of the governmental authority imposing such taxes and fees. Such taxes and fees will be allocated among such Customers on the basis of Customers' purchase of the types of service made subject to the taxes or fees. Such taxes and fees will be separately stated on bills.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

2.0 General Rules and Regulations (Cont'd.)

2.10 Disputes and Complaints

In the event of a dispute concerning the bill, Carrier will require the Customer to pay a sum of money equal to the amount of the undisputed portion of the bill. Following payment of the undisputed amount, efforts to resolve the complaint using the complaint procedures in Section 2.10.2 shall continue, and the service shall not be disconnected for nonpayment of the disputed amount during this time. If a Customer does not give Carrier notice of a dispute with respect to Carrier's charges within two (2) years from the later of the date of the bill or the date of the discovery of the dispute, the bill shall be deemed correct and binding upon the Customer.

2.10.1 Complaint Procedures

Inquiries, general questions, or complaints may be directed informally to Carrier by telephone, in person, or in writing at Carrier's office located at McLeodUSA Technology Park, 6400 C Street, SW, P.O. Box 3177, Cedar Rapids, Iowa 52406. Business customers can reach Carrier's customer service department by dialing toll-free: 1-800-593-1177. Residential customers can reach Carrier's customer service department by dialing toll-free: 1-800-500-3543. Carrier's customer service department accepts calls on a twenty-four-hour-a-day basis. Complaints concerning the charges, practices, facilities, or services of Carrier will be investigated promptly and thoroughly. Carrier will keep records of each complaint showing the name and address of the complainant, the date and nature of the complaint, its disposition, and all other pertinent facts dealing with the complaint that will enable Carrier to review and analyze its procedures and actions. The records maintained by Carrier under this tariff will be available for inspection by the Commission or its staff upon request. Within thirty (30) days of the receipt of a written complaint, Carrier will provide written notice to the Customer of the status of the complaint. Each Customer may file with the Commission for resolution of disputes. Each complainant will be mailed a statement of the complainant's right to contact the Commission at: Saluda Building, 101 Executive Center Drive, Columbia, SC 29210, telephone (803) 896-5100.

2.10.3 Bill Insert or Notice

Carrier shall notify Customers, by bill insert or notice on the bill form, of the address and telephone number where a Carrier representative qualified to assist in resolving the complaint can be reached.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

2.0 General Rules and Regulations (Cont'd.)

2.11 Service Refusal, Disconnection, and Suspension

2.11.1 Notice of Pending Disconnection

Prior to the disconnection of service, Carrier shall provide a written notice to the Customer setting forth the reason for disconnection and the final date by which the account is to be settled or specific action taken. Final dates shall be no less than seven (7) calendar days with respect to an unpaid bill after the notice is rendered. The notice shall be considered rendered to the Customer when deposited in the U.S. Mail with postage prepaid. If delivery is by other than U.S. Mail, the notice shall be considered rendered when delivered to the last known address of the person responsible for payment for the service. The notice will specify a toll free number (800-593-1177 for business customers; 800-500-3543 for residential customers) where a Carrier representative can be reached to provide additional information about the disconnection.

2.11.2 Reasons for Service Refusal, Disconnection and Suspension

In accordance with the provisions contained in R. 103-625, service may be refused, disconnected, or suspended for any of the reasons listed below:

- A. Without notice, in the event of a condition determined by the Carrier to be hazardous or dangerous.
- B. Without notice, in the event of Customer use of equipment in such a manner as to adversely affect the Carrier's service to others.
- C. Without notice, in the event of unauthorized use of telephone service.
- D. For the Customer tampering with equipment furnished and owned by the Carrier.
- E. For violation of and/or non-compliance with the Commission's Orders or regulations governing service supplied by the utilities.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

2.0 General Rules and Regulations (Cont'd.)**2.11 Service Refusal, Disconnection, and Suspension (Cont'd.)****2.11.2 Reasons for Service Refusal, Disconnection and Suspension (Cont'd.)**

- F. For failure of the Customer to fulfill his contractual obligations for service and/or facilities subject to regulation by the Commission.
- G. For failure of the Customer to permit the Carrier reasonable access to its equipment.
- H. In cases of extreme risk involving abnormal and excessive use of toll service, service may be denied two (2) days after written notice is given to the Customer, unless satisfactory arrangements for payment are made.
- I. For failure of the Customer to provide the Carrier with a deposit as authorized by R. 103-621(1).
- J. For failure of the Customer to furnish permits, certificates, and/or right-of-ways, as necessary to obtain service, or in the event such permissions are withdrawn or terminated.
- K. Where there is probable cause to believe that there is illegal or willful misuse of Carrier's service.
- L. No telephone utility shall be required to furnish its service or to continue its service to any applicant who, at the time of such application, is indebted under an undisputed bill to such telephone utility for telephone service previously furnished such applicant or furnished any other member of the applicant's household. However, for the purposes of this regulation, the telephone utility may not consider any indebtedness which was incurred by the applicant or any member of his household more than six (6) years prior to the time of application.
- M. For non-payment of that portion of the bill rendered by the local Company for telecommunications service billed for another telecommunications common carrier.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

2.0 General Rules and Regulations (Cont'd.)**2.11 Service Refusal, Disconnection, and Suspension (Cont'd.)****2.11.3 Insufficient Reasons for Refusal, Suspension or Discontinuance of Service**

In accordance with the provisions contained in R. 103-625, the following shall not constitute cause for refusal of service to a present or prospective Customer:

- A. Non-payment for services by a previous occupant of the premises to be served, unless such previous occupant shall benefit from such new service or unless the new occupant benefited from such old service.
- B. Failure to pay for merchandise purchased from the Carrier.
- C. Failure to pay for non-communications service provided by the Carrier, including, but not limited to, any non-regulated telecommunications equipment or services furnished by the Carrier.
- D. Failure to pay for business service at a different location and a different telephone number shall not constitute sufficient cause for refusal of residential service or vice versa.
- E. Failure to pay billings associated with 900 and 900-type numbers or non-regulated charges.

2.11.4 Medical Emergency

Notwithstanding any other provision of this tariff, Carrier will postpone the disconnection of service to a residential Customer for a reasonable time, not to exceed thirty (30) days, if the Customer produces verification from a physician or a public health or social services official stating that telephone service is essential due to an existing medical emergency of the Customer, a customer of the Customer's family, or any permanent resident of the premises where service is rendered. This written verification shall identify the medical emergency and specify the circumstances. Initial verification may be by telephone if written verification is forwarded to Carrier within five (5) days.

2.11.5 Temporary Service

When McLeodUSA renders temporary service to a Customer, the Customer may be required by McLeodUSA to bear the entire cost of installing and removing the service facilities in excess of any salvage realized.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

2.0 General Rules and Regulations (Cont'd.)

2.12 Cancellations and Deferments of Service

When a Customer cancels or defers an order for service before the service is activated, a charge applies that will allow Carrier to recover its unrecovered costs, including but not limited to outside vendor charges, engineering, labor, materials, and equipment. Charges apply as follows:

2.12.1 Cancellation

In a cancellation situation, the charge is equal to the unrecoverable costs incurred prior to the request for cancellation and the costs of removal, restoration, and disposal, if any, to comply with the cancellation. Those costs include, but are not limited to, costs of outside vendors, engineering, labor, nonrecoverable materials, and equipment expense.

2.12.2 Deferment of Start of Service

If a request for deferment of service is received by Carrier prior to the date an order for equipment or service is placed with Carrier's supplier, no charge shall apply. For deferments received by Carrier subsequent to the date the order for equipment or service is placed with Carrier's supplier, a monthly recurring charge based upon the costs incurred prior to the request for the deferment applies. This monthly rate shall be equal to the deferred investment multiplied by the monthly prime interest rate as announced by Firststar Bank of Cedar Rapids, N.A., plus recurring costs resulting directly from the deferral such as storage, taxes, etc.

In addition, any extraordinary nonrecurring costs resulting from the deferral, such as additional engineering, labor, and transportation, shall be billed in total. Billing shall start at the beginning of the month of deferment and extend to the start of service. Charges shall not exceed the monthly rate that would have applied had the service been established. Carrier will also charge the Customer who defers service any and all rates and charges incurred by Carrier for any leased facilities for which Carrier is held responsible. Carrier will make a good faith effort to minimize those rates and charges whenever possible.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

2.0 General Rules and Regulations (Cont'd.)

2.13 Information Service Access Blocking

Where facilities are available, Customers have the option to block access to all "900", "960" and "976" prefix numbers, without charge for the first block. Carrier will comply with all applicable rules of the Commission concerning such blocking.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

2.0 General Rules and Regulations (Cont'd.)**2.14 Marketing and Promotions**

As a telephone utility under the regulation of the Public Service Commission of South Carolina, Carrier does hereby assert and affirm that as a reseller of intrastate telecommunications service, Carrier will not indulge or participate in deceptive or misleading telecommunications marketing practices to the detriment of consumers in South Carolina, and will comply with those marketing procedures, if any, set forth by the Public Service Commission. Additionally, Carrier will be responsible for the marketing practices of its contracted telemarketers for compliance with this provision. Carrier understands that violation of this provision could result in a rule to show cause as to the withdrawal of its certification to complete intrastate telecommunications traffic within the State of South Carolina.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

2.0 General Rules and Regulations (Cont'd.)

[Reserved for future use.]

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

3.0 Description of Services Offered

3.1 Local Service

[Reserved for future use]

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

3.0 Description of Services Offered (Cont'd.)

3.1 Local Service (Cont'd.)

[Reserved for future use]

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

3.0 Description of Services Offered (Cont'd.)

3.1 Local Service (Cont'd.)

[Reserved for future use]

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

3.0 Description of Services Offered (Cont'd.)

3.1 Local Service (Cont'd.)

[Reserved for future use]

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

3.0 Description of Services Offered (Cont'd.)

3.1 Local Service (Cont'd.)

[Reserved for future use]

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

3.0 Description of Services Offered (Cont'd.)

3.1 Local Service (Cont'd.)

[Reserved for future use]

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

3.0 Description of Services Offered (Cont'd.)

3.2 Directory Listing Service

[Reserved for future use]

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

3.0 Description of Services Offered (Cont'd.)

3.3 Intercept Services/Referral Recording

[Reserved for future use]

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

3.0 Description of Services Offered (Cont'd.)

3.4 Directory Assistance

[Reserved for future use]

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

3.0 Description of Services Offered (Cont'd.)

3.5 Operator Services

[Reserved for future use]

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

3.0 Description of Services Offered (Cont'd.)3.6 Primary Rate ISDN

Primary Rate ISDN provides an ISDN based, DS1 access to the telecommunications network and includes the flexibility of integration of multiple voice and/or data transmission channels on the same line. The service will provide connectivity between ISDN compatible CPE and a serving central office. The basic channel structure for Primary Rate ISDN is twenty-three 64 Kbps B-Channels and one 64 Kbps D-Channel. The customer has the option to activate up to 23 B-Channels on the first Primary Rate ISDN arrangement and up to 24 channels on additional Primary Rate ISDN arrangements. The 23 B-Channels can be used to connect the customer's CPE to the Public Circuit Switched Network, e.g., outward, inward and 2-way network access. Calling Number Delivery, Called Number Delivery, and Hunting functionality are inherent to this service.

Primary Rate ISDN provides capability for the transmission of digital signals only. Primary Rate ISDN is provided from wire centers where appropriate ISDN facilities are available as determined by the Carrier. Special Construction charges may apply.

The required components for Primary Rate ISDN are as follows:

- Primary Rate ISDN Access Line where applicable
- Interoffice Channels where applicable
- Primary Rate ISDN Interface
- Primary Rate ISDN B-Channels
- Primary Rate ISDN D-Channel

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

3.0 Description of Services Offered (Cont'd.)3.7 South Carolina Relay Service

The Carrier will provide access to a telephone relay center for Relay Service. The service permits telephone communications between hearing and/or speech impaired individuals who must use a Telecommunications Device for the Deaf (TDD) or a Teletypewriter (TTY) and individuals with normal hearing and speech. The Relay Service can be reached by dialing an 800 number. Specific 800 numbers have been designated for both impaired and non-impaired Customers to use. As of June 30, 2001, Customers may also dial "711" to reach a South Carolina Relay Operator.

3.7.1 Regulations

1. Only intrastate calls can be completed using the South Carolina Relay Service.
2. Local Relay calls placed from any telephone or a payphone are free. Customer will be responsible for long distance charges.
3. If a Relay call placed from a payphone is long distance, Customers must use a prepaid or calling card; coins are not accepted.
4. The following calls may not be placed through the Relay Service:
 - a) calls to informational recordings and group bridging service;
 - b) calls to time or weather recorded messages;
 - c) station sent paid calls from coin telephones; and
 - d) operator-handled conference service and other teleconference calls.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

3.0 Description of Services Offered (Cont'd.)**3.7 South Carolina Relay Service (Cont'd.)****3.7.2 Liability**

The Carrier contracts with an outside provider for the provision of this service. The outside provider has complete control over the provision of the service except for the facilities provided directly by the Carrier. In addition to other provisions of this tariff dealing with liability, in the absence of gross negligence or willful misconduct on the part of the Carrier, the Carrier shall not be liable for and the Customer, by using the service, agrees to release, defend, and hold harmless for all damages, whether direct, incidental or consequential, whether suffered, made, instituted, or asserted by the Customer, or by any other person, for any loss or destruction of any property whatsoever, whether covered by the Customer or others, or for any personal injury or death of, any person. Notwithstanding any provision to the contrary, in no event shall the Carrier be liable for any special, incidental, consequential, exemplary, or punitive damages of any nature whatsoever.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

3.0 Description of Services Offered (Cont'd.)**3.8 Promotional Offerings**

Carrier may from time to time engage in special promotions of limited duration. These promotions may be in the form of waiver or reduced recurring and nonrecurring fees, lowered usage charges, or other actions designed to attract new Customers or to increase existing Customer awareness of a particular service. All promotions will be offered on a non-discriminatory basis to eligible Customers and submitted to the Commission for approval.

3.9 Individual Case Basis (ICB)

In addition to tariffed promotional offerings, McLeodUSA may, in conjunction with the Most Favored Customer clause in its Customer Services Agreement, offer individualized arrangements on a case-by-case basis where necessary to meet prices, terms, or conditions of service offered by competitors. In such cases, the prices offered by McLeodUSA shall not exceed the prices for similar services contained in this tariff.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

4.0 Rates and Charges

4.1 Nonrecurring Charges

4.1.1 Early Termination Charges

If a Customer terminates service prior to the expiration of the term of the contract (see Section 2.5), the Customer will be required to pay an early termination charge in accordance with the customer's contract for service.

4.1.2 Third Party Vendor Charges

Customers may also be charged for certain charges incurred by Carrier (at the Customer's instruction) in obtaining services from third party vendors. At the earliest opportunity, the Customer will be advised of the nature of the charges and the estimated amount of the charges.

4.1.3 Reconnect Fee

Reconnect Fee charge: \$50.00 for first two lines

This charge applies to reconnect service after dial tone has been suspended or service has been disconnected.

4.1.4 Nonsufficient Funds Charge (NSF Checks)

NSF check charge: \$20.00

This charge applies when a check has been returned by the bank for non-payment.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

4.0 Rates and Charges (Cont'd.)

4.2 Usage Rates

Usage rates for individual services are shown in the Rate Tables associated with each particular service.

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

4.0 Rates and Charges (Cont'd.)

[Reserved for future use]

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

4.0 Rates and Charges (Cont'd.)

[Reserved for future use]

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

4.0 Rates and Charges (Cont'd.)

4.3 Rate Tables

4.3.1 Rate Table 1: Local Flat Rate Service

[Reserved for future use]

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

4.0 Rates and Charges (Cont'd.)

4.3 Rate Tables (Cont'd.)

[Reserved for future use]

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

4.0 Rates and Charges (Cont'd.)

4.3 Rate Tables (Cont'd.)

[Reserved for future use]

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

4.0 Rates and Charges (Cont'd.)

4.3 Rate Tables (Cont'd.)

[Reserved for future use]

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

4.0 Rates and Charges (Cont'd.)

4.3 Rate Tables (Cont'd.)

[Reserved for future use]

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

4.0 Rates and Charges (Cont'd.)

4.3 Rate Tables (Cont'd.)

[Reserved for future use]

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

4.0 Rates and Charges (Cont'd.)

4.3 Rate Tables (Cont'd.)

[Reserved for future use]

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

4.0 Rates and Charges (Cont'd.)

4.3 Rate Tables (Cont'd.)

4.3.1 Rate Table 1: Local Service Monthly Rates - Business Customers

A. Local Calling Features

[Reserved for future use]

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

4.0 Rates and Charges (Cont'd.)

4.3 Rate Tables (Cont'd.)

[Reserved for future use]

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

4.0 Rates and Charges (Cont'd.)

4.3 Rate Tables (Cont'd.)

[Reserved for future use]

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

4.0 Rates and Charges (Cont'd.)

4.3 Rate Tables (Cont'd.)

[Reserved for future use]

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

4.0 Rates and Charges (Cont'd.)

4.3 Rate Tables (Cont'd.)

[Reserved for future use]

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

4.0 Rates and Charges (Cont'd.)

4.3 Rate Tables (Cont'd.)

4.3.3 Rate Table 3: Directory Assistance Rates

[Reserved for future use]

4.3.4 Rate Table 4: Directory Listing Rates

[Reserved for future use]

4.3.5 Rate Table 5: Intercept Services/Referral Recording

[Reserved for future use]

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

4.0 Rates and Charges (Cont'd.)4.3 Rate Tables (Cont'd.)4.3.6 Rate Table 6: Operator Services for Payphones

[Reserved for future use]

4.3.7 Rate Table 7: Primary Rate ISDN

	<u>Nonrecurring</u>	<u>Per Month</u>
Primary Rate ISDN Access Line:	\$875.00	\$140.00
Interoffice Channel	\$125.00	\$75.00
per mile or fraction of mile	---	\$24.00
Primary Rate ISDN Interface	\$110.00	\$400.00
Primary Rate ISDN B-channels (each)		
Voice/Data (standard)	\$5.00	\$70.15
Digital Data only	\$5.00	\$31.00
Inward Data only	\$5.00	\$31.00
Primary Rate ISDN D-channel	No Charge	No Charge

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

4.0 Rates and Charges (Cont'd.)

4.4 South Carolina Relay Service

Local Relay calls placed from any telephone or a payphone are free. Customer will be responsible for long distance charges. If a Relay call placed from a payphone is long distance, Customers must use a prepaid or calling card, coins are not accepted.

4.5 Promotional Offerings

[Reserved for future use]

363690.2

Issued: March 28, 2001

Effective:

BY: David R. Conn
Vice President and Deputy General Counsel
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406

VERIFICATION

STATE OF IOWA

)

)

ss:

COUNTY OF LINN

)

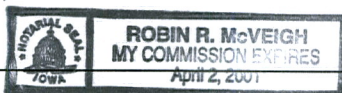
I, David R. Conn, being duly sworn, declare that I am the Vice President and Deputy General Counsel of McLeodUSA Telecommunications Services, Inc.; that I am authorized to make this verification on behalf of McLeodUSA Telecommunications Services, Inc., the applicant in the subject proceeding; that I have read the foregoing application and exhibits; and that the same are true and correct to the best of my knowledge, information, and belief.

By: David R. Conn
 Title: Vice President and Deputy General Counsel
 McLeodUSA Telecommunications Services, Inc.

Subscribed and sworn to me, this 21st day of March, 2001.

Robin R. McVeigh
 Notary Public

My Commission expires on



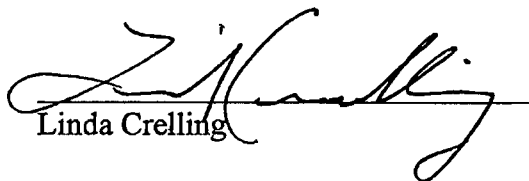
CERTIFICATE OF SERVICE

I, Linda Crelling, hereby certify that on this 27th day of March, 2001, a copy of the Application of McLeodUSA Telecommunications Services, Inc. for a Certificate of Public Convenience and Necessity to Provide Resold and Facilities-Based Local Exchange and Facilities-Based Interexchange Telecommunications Services within the State of South Carolina, as filed with the South Carolina Public Service Commission, was served by first class U.S. mail, postage prepaid, upon the following:

Ms. Coretta Simmons
Department of Consumer Affairs
2801 Devine St.
Post Office Box 5757
Columbia, South Carolina 29250-5757

By:

Linda Crelling

A handwritten signature in black ink, appearing to read 'Linda Crelling', is written over a horizontal line.